

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 - Paid Up
With 640 Acres Pooling Provision

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 21st day of October, 2008, by and between

JERRY L. MALESOVAS and wife, GLENDA F. MILLER whose property address is 1230 Oak Trail, Keller, Texas with mailing address of P.O. Box 865, Keller, Texas 76244-0865

as Lessor (whether one or more), and HILLWOOD ENERGY TEXAS, L.P., 13600 Heritage Parkway, Suite 200, Fort Worth, Texas, 76177, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land located in the County of Tarrant, State of Texas, hereinafter called leased premises:

Being a certain tract or parcel of land containing 1.6325 acres of land in the William Huff Survey Abstract No.648, Tarrant County, Texas and being the same land conveyed in that certain Warranty Deed recorded in Volume 14241 at Page 108 of the Deed Records of Tarrant County, Texas.

See Exhibit 'A' attached hereto and made a part hereof for additional lease provisions.

(including any interests therein which Lessor may own in and to all streets, alleys, lanes, roads, ditches, canals, coulees, public or private, adjacent to or traversing the lands described above, whether or not specifically described herein, and any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease, requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commenced its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository as may be designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or its successors at Lessor's address above, or deposited to Lessor's credit at such depository as shall be designated by Lessor in a proper recordable instrument if requested by Lessee, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft, and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such

additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right to pool all or any of the leased premises or interest therein with any other lands or interest, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be the proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, all in Lessee's sole discretion. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at decedent's last known address or in the depository as may be designated above. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest, in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the rights of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat, and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water, and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release of other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to building and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach of default and Lessee fails to do so.

13. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a subsurface easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface easements shall be used exclusively for well bores and shall run with the land and survive any termination of this lease.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

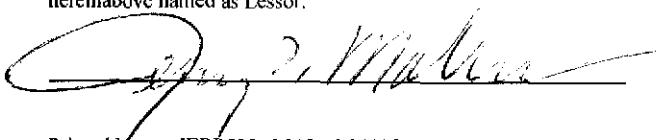
15. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

16. Lessee is hereby given the option to extend the primary term of the lease for an additional two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the sum of Three Thousand Six Hundred Fifty and No/100 dollars (\$3,650.00) per acre to Lessor. This payment shall be based upon the number of net mineral acres then covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by the check of Lessee mailed or delivered to Lessor at the above address. If at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of five (5) years.

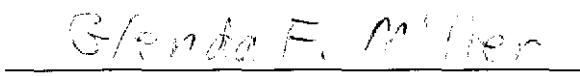
17. Notwithstanding anything herein to the contrary, should Lessee exercise its option to pool any portion of the leased premises with other lands, lease or leases, then production from such pooled unit shall continue this lease in force and effect after the primary term as to that portion of the leased premises included in such pooled unit as hereinabove provided, but not as to such portion of the leased premises not included in such pooled unit. This lease may be kept in force and effect as to such remainder acreage in any manner elsewhere provided in this lease.

18. In the event that this lease expires as to all or a part of the acreage covered herein, then, as to such expired acreage (and only as to such expired acreage), Lessee agrees to deliver to Lessor, or file of record, a written release of this lease as to such expired acreage within ninety (90) days of said expiration. In the event that Lessee fails to deliver or record said release within said 90 day period, Lessor may notify Lessee in writing of said failure and Lessee shall have thirty (30) days from the date of receipt of said written notice to deliver to Lessor or file of record said written release.

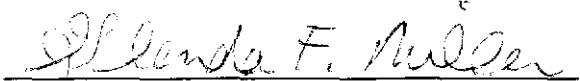
IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors, and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.



Printed Name: JERRY L. MALESOVAS



Printed Name: GLENDA F. MILLER



Printed Name:

Printed Name:

Printed Name:

Printed Name:

Printed Name:

Printed Name:

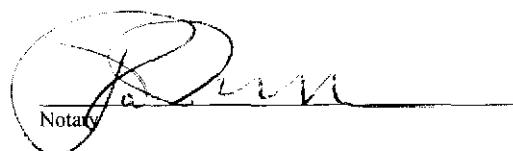
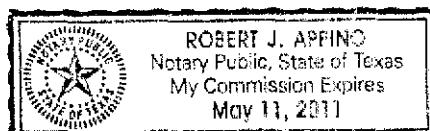
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on the 27th day of October, 2008, by JERRY L. MALESOVAS and GLENDA F. MILLER.

(seal)



Notary

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on the _____ day of _____, 200____, by _____

(seal)

Notary

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on this _____ day of _____, 200____, by _____ of _____, a _____ corporation, on behalf of said corporation.

(seal)

ROBERT J. APFFEL
Notary Public, State of Texas
My Commission Expires
May 11, 2011
N1-337-5411

ME-CR-0537

Notary

Exhibit "A"

Attached to and made a part of that certain Paid-Up Oil And Gas Lease (the "Lease") dated October 21, 2008, by and between Jerry L. Malesovas and wife, Glenda F. Miller as Lessor, and Hillwood Energy Texas, L.P., as Lessee, covering 1.6325 acres of land, more or less, in Tarrant County, Texas.

1. The provisions of the hereinafter paragraphs shall supersede and govern the provisions of the printed form text of this Lease and shall inure to the benefit of, and be binding upon the parties hereto, and their respective heirs, representatives, successors and assigns.
2. **Noise.** Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operation are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment.
3. **Environmental Compliance.** Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, Said Lands or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on Said Lands or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U. S. C. Sections 9601, et seq.) or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGEMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT SAID LANDS OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OR CONTROL OF SAME. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT SAID LANDS OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OF SAME IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LANDS OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION FOR ANY REASON OF THIS LEASE.
4. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESEORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES, EXPERT FEES, AND COURT COST, CAUSED BY LESSEE'S OPERATIONS ON SAID LAND OR LANDS POOLED THEREWITH OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS,

Exhibit "A" (Continued)

EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

5. **Venue and Legal Fees.** Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable. At any time that any obligation of the Lessee to make a payment shall not be complied with in accordance with the terms of the Lease, it is agreed and understood that Lessee will pay to Lessor interest thereon at the highest lawful rate allowed to be charged to Lessee by Lessor under the then existing Statutes of the State of Texas. In addition, in the event of the breach of any provision of the Lease, Lessee shall pay to Lessor all costs and expenses reasonably incurred including reasonable attorney's fees and costs of court incurred by Lessor for the enforcement of the provisions of this Lease. It is agreed and understood that time is of the essence in the performing of each responsibility under the terms of this lease.

6. **Subordination Agreement Fees.** Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require a subordination, partial release of lien, release of lien, consent or other documentation from any lender of Lessor that has a lien on said land as a condition to Lessor receiving the agreed signing bonus or any subsequent royalty payment. However, Lessor will cooperate with any reasonable effort of Lessee to obtain same from Lessor's lender on behalf of Lessor.

7. **Set-Back.** No well shall be located less than one-thousand (1000) feet from any house or barn now on the leased premises without Lessor's consent.

8. **Deductions.** It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Further, in no event shall Lessor receive a price that is less than the price received by Lessee from an arms-length contract with a purchaser that is not an affiliate of Lessee. It is the specific intent of the parties to this Lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources, Inc. v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996).

9. **Continuous Development (Density).** Lessee shall drill as many horizontal wells from each drillsite as is the lesser in density (i.e. the lesser number of wells) of (i) that which is reasonably practicable in accordance with good oilfield practices and taking into account all geological and geophysical information known to Lessee, and/or (ii) one well per 40 acres in the pooled unit. Further, each drillsite should be located in such a manner as to facilitate the drilling of as many wells as possible from such drillsite in order to minimize the number of drillsites on lands pooled herewith.

10. **Surface Operations.** NO SURFACE OPERATIONS. NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, NO SURFACE RIGHTS ARE BEING GRANTED UNDER THIS LEASE, AND LESSEE HEREBY EXPRESSLY WAIVES AND RELEASES ANY AND ALL SURFACE RIGHTS OF EVERY KIND AND NATURE ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LAND, OR (III) ENTER UPON THE LAND FOR ANY REASON OR FOR ANY AMOUNT OF TIME; HOWEVER, THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITY WHICH COMES UNDER THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY AFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR RESIDENTIAL OR ANY OTHER USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 1,000 FEET BELOW THE SURFACE. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LAND. THIS PROVISION SHALL SURVIVE TERMINATION OF THE LEASE.

Exhibit "A" (Continued)

11. **Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor in writing of any assignment or sublease of this Lease. Lessee and its assignees and sublessee's of an interest in this Lease shall be joint and severally liable for all of Lessee's obligations under this Lease.

12. **Eminent Domain.** Lessee, for itself and its successors and assigns, hereby waives any right of eminent domain possessed by Lessee, or any affiliate, assignee or successor of Lessee to acquire any right of way or easement, or make use of any existing right of way or easement, for the transportation of gas, oil or any other substance through, across and/or under the Land.

13. **No Warranties.** Lessor makes no warranty of any kind, either express or implied, with respect to title to the Land or the minerals subject to this Lease. However, if Lessor owns an interest in the Land or the minerals subject to this Lease less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land and the minerals subject to this Lease, and Lessee assumes all risk of title failures, and in connection therewith Lessee shall have no recourse against Lessor, including no right to a refund of the bonus and royalties paid for or under this Lease. Further, in the event Lessor does not own all of the minerals subject to this Lease, Lessee agrees that it will not drill, conduct operations or participate in drilling or operations on the Land, which are not in compliance with the terms and requirements of this Lease, by claiming other authority under a lease, deed, conveyance or by other authority covering the outstanding oil, gas and other mineral interests. This provision shall survive termination of the Lease.

14. **Inspection of Lessee's Records.** Upon written request, Lessor and/or Lessor's representatives shall have the right to inspect all lease and title records and well records of Lessee relating to this Lease, operations conducted on or in connection with this Lease or lands pooled herein, and the sale and marketing of production from the Lease, including contracts for the sale of any production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

15. **Compliance With Governing Law.** Lessee will conduct all operations under this Lease and/or on lands pooled herewith in compliance with the greater and more stringent of the current and future rules of the Railroad Commission of Texas, all federal, state and local laws, rules, regulations, and ordinances, including without limitation all environmental laws, rules, regulations and ordinances.

16. **Excess Royalty Payments.** Any payment of royalty or Shut-in Royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the Land, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease. If Lessee provides proper and timely notice to Lessor of any overpayments made to Lessor, such overpayments shall only be made up by Lessee against future royalty payments to Lessor not to exceed more than twenty five percent (25%) of any monthly royalty payment due Lessor. Should such monthly royalty payments cease under this Lease prior to Lessee recouping any such overpayments out of a portion of Lessor's monthly royalty, Lessee shall absorb such loss in its entirety without any liability to or reimbursement from Lessor.

17. **Environmental and Operational Provisions.**

(a) **General Urban Constraints.** Lessee's operations are being conducted in or near an urban residential area. Therefore, with regard to any well drilled within 1,000 feet of said Land, subject to Lessor's written consent stating otherwise, Lessee shall:

Exhibit "A" (Continued)

- (1) Equip any and all compressors, machinery and drilling equipment with the latest technology in noise suppression, muffling devices and pollution constraints, including for the suppression of dust, vibration, noxious odors, airborne pollutants and harmful fumes;
- (2) Employ and use a Flex 4 Drilling Rig or other technologically advanced drilling rig;
- (3) Not operate or maintain any compressors within two (2) miles of said Land;
- (4) Maintain noise levels at said Land associated with Lessee's operations not to exceed noise levels specified in the City of Keller Ordinance 10-1030 (i.e. not more than 90 decibels at any point 300 feet from the boundary of the drillsite, as of the effective date of the Lease, and any future ordinance if said ordinance requires a further reduction in noise levels);
- (5) Odorize all gas before it leaves or is transported from a drillsite on lands pooled herewith;
- (6) While drilling operations are taking place, place lighting directed on the derrick and drill site area for safety reasons, and take all reasonable precautions to avoid directing the lighting onto surrounding neighborhoods and properties; and
- (7) Place any structure of any kind to be used as a dwelling house for any persons associated with the operations.

(b) **Traffic and Road Usage.** Lessee, its agents, assigns, and subcontractors shall not enter, travel upon, or use in any way or manner (including the parking of any vehicles) any of the inner-residential streets of Lessor's subdivision or neighborhood containing said Land for any of Lessee's operations. Further, trucks weighing in excess of $\frac{3}{4}$ of a ton shall not be permitted to park overnight on any drillsite within 1,000 feet of said Land. No vehicle of any size which transports inflammatory or explosive cargo may be kept in the subdivision or neighborhood at any time. Lessee shall not use any property in Lessor's subdivision or neighborhood for the dumping of trash or other waste. Lessee shall keep all neighborhood streets reasonably free of debris from Lessee's operations.

(c) **Groundwater Protection.** Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Land. Further, Lessee agrees to conduct water quality testing on any water wells available on lands pooled with the Land, as follows: (1) an initial baseline water quality test to be conducted no more than 60 days before Lessee commences actual drilling for the first well from Lessee's drillsite located on lands to be pooled with the Land, and (2) re-testing 1 year following completion of the first well, and (3) repeat testing every three years thereafter, as long as this Lease remains in effect. The testing shall be done by a qualified professional water testing firm and will include, but not be limited to, testing for gas, minerals, metals, volatile organic compounds (VOC's), and semi-volatile organic compounds (SVOCs).

(d) **Visual Appearance.** Lessee shall maintain any drillsites within 1,000 feet of the Land in a neat and orderly fashion. For safety and appearance, Lessee shall construct and install fencing and other decorative materials or vegetation around each drillsite and related facilities in a visually appealing manner, in an effort to maintain the continuity of the surrounding area, and shall maintain the fences in a good state of repair. Upon conclusion of Lessee's drilling and completion operations, Lessee shall restore that portion of the drillsite not being utilized by Lessee for producing operations as nearly as is reasonably practicable to its original state. In addition, Lessee shall maintain the drillsite in a manner whereby it shall be free of noxious vegetation and debris resulting from Lessee's operations. Upon lease expiration, Lessee shall remove all of Lessee's equipment and restore the surface of the ground on the drillsite as nearly as is reasonably practicable to its original state.

(e) **Dust.** Aggregate and other dust producing materials used by Lessee shall be dampened or washed regularly to prevent dust.

Exhibit "A" (Continued)

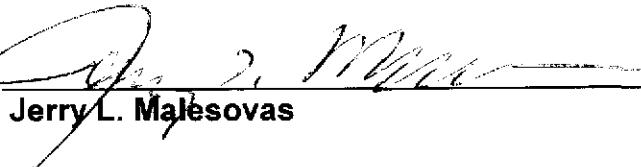
(f) **Mud Pits.** Lessee shall locate no mud pits on lands located within 1,000 feet of the Land.

(g) **Remedial Action.** Any remedial action or activities required of Lessee under this Lease shall be addressed and the remedial work commenced within the earlier of twenty (20) days or a reasonable amount of time under the circumstances, dependent on the nature of the remedial work, and must be diligently pursued until fully performed.

(h) **Water Wells.** Lessee shall not drill any water wells within 1,000 feet of said Land.

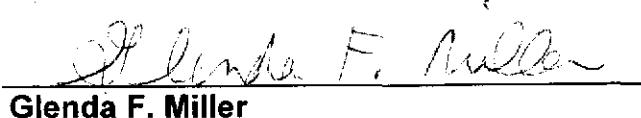
18. **Depth Severance.** At the end of the primary term of this Lease, or any extension thereof, this Lease shall terminate as to all depths lying one hundred feet (100') below the stratigraphic equivalent of the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with the Land.

Signed for Identification:



Jerry L. Malesovas

Signed for Identification:



Glenda F. Miller

RWES/ES/TK
Royale Land Services
417 E. 2nd Street
Austin, Texas 78701
(512) 477-2411

HI-CI-0537



DOYLE LAND SERVICES
417 KELLER PKWY

KELLER TX 76248

Submitter: JEFFREY M LANDRY

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

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Instrument #: D208452748
LSE 9 PGS \$44.00

By: LG



D208452748

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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